

VZCZCXYZ0014
RR RUEHWEB

DE RUEHLO #0461/01 0511753
ZNY CCCCC ZZH
R 201753Z FEB 09
FM AMEMBASSY LONDON
TO RUEHC/SECSTATE WASHDC 1452
INFO RUCPDO/DEPT OF COMMERCE WASHDC
RULSDMK/DEPT OF TRANSPORTATION WASHDC

C O N F I D E N T I A L LONDON 000461

NOFORN
SIPDIS

E.O. 12958: DECL: 02/13/2019
TAGS: [EAIR](#) [ECON](#) [EIND](#) [ETRD](#) [PGOV](#) [UK](#)
SUBJECT: HEATHROW EXPANSION GETS LIFTOFF, EXPECT TURBULENCE

REF: A. EMBASSY LONDON DAILY 1/16/09
[1](#)B. EMBASSY LONDON DAILY 1/28/09

Classified By: Acting Economic Minister Counselor Kathleen Doherty for reasons 1.4 (b) and (d)

[1](#)1. (SBU) Summary. Heathrow's expansion is a major economic, political and environmental hot-button issue, creating unusual alliances among its supporters and opponents, and will likely become a key electoral issue. On January 16, Transport Minister Geoff Hoon announced HMG plans to build a third runway with a new terminal at Heathrow airport by 2020. The expansion is supported by the majority of the Labour Party, businesses and trade unions, but vehemently opposed by Conservatives, Liberal Democrats, and environmental groups. The expansion is expected to meet increased capacity needs, reduce delays, and provide much needed revenue and jobs to the UK economy. To mitigate environmental impacts, HMG is planning for "green slots," which will limit use of the third runway to environmentally-friendly aircraft. While the Conservative Party's motion to delay expansion of the third runway failed in the House of Commons on January 28, it will likely continue to make Heathrow's expansion a chief "polarizing issue" on which to win the next election. End summary.

HMG'S OVERALL PLAN -----

[1](#)2. (SBU) The Department for Transport's (DfT) proposal calls for adding a third runway and new terminal at Heathrow, to be completed by 2020. HMG first backed a third runway in a White Paper in 2003 and made the announcement on January 16 as a political statement so BAA (not related to British Airways), planning commissions, and others could move forward with the early stages of their planning efforts. The project will be completely funded from private resources with no direct financial support from HMG. BAA, which operates Heathrow, is expected to bear the brunt of infrastructure and planning costs for the expansion. BAA will also have to pay the relocation costs for those in 700 homes that will be destroyed in Sipson Village, DfT officials told ESTHoff on February 3.

[1](#)3. (SBU) Flights will be increased from 480,000 annually to 605,000 by 2020, and a review will be conducted by the UK Environment Agency and the Civil Aviation Authority (CAA) in 2020 regarding whether to increase capacity to 702,000 flights annually by 2030. Passengers transiting Heathrow are expected to grow from 68 million to 89 million by 2030. DfT projects the economic benefits of Heathrow expansion will contribute 9.7 billion GBP (\$13.7 billion) in revenues to the UK economy. Employment impacts, said DfT officials, are less certain, but the media predicts up to 65,000 new jobs could be created from the expansion. Transport Secretary Hoon also noted in his January 28 parliamentary speech that Heathrow's expansion will allow it to compete with other European cities (i.e. Frankfurt) as an international hub for passengers

transferring to China, India, and other long-haul flights.

HMG EFFORTS TO MITIGATE ENVIRONMENTAL IMPACTS

14. (SBU) To mitigate environmental impacts, the HMG is proposing "green slots" for the third runway, limiting its use to only environmentally-friendly aircraft. HMG is developing an incentive-based point system for environmentally-friendly aircraft to obtain green slots based on meeting certain noise, carbon dioxide, and other requirements. According to DfT, EU airlines and the International Air Transportation Association (IATA) responded positively to HMG's proposal. DfT is still evaluating the timing for implementing the rules for the green slots, as no additional slots will be available at Heathrow until 2015. DfT will need to make a decision whether to change rules in 2010 -- to give airlines advanced notice to purchase new aircraft -- or wait until 2014, since international changes to regulations and or technological changes could effect the equation. The third runway will be 1.36 miles in length, compared to the other two runways, each at 2.5 miles in length. This will also restrict use to short-haul flights.

15. (SBU) DfT officials conceded the flight path will be used for the new runway will cause more noise for nearby residents and is taking measures to minimize the impacts, while balancing other needs. HMG is also studying adding high-speed rail linkages from Manchester, Leeds, and the Midlands close to Heathrow to reduce the number of short-haul flights for those passengers connecting to international flights. Night flights, already limited, will continue to be closely regulated under HMG's plan. The current quota on night flights will come up for review in 2012. DfT ruled out the idea of mixed mode -- having landings and take-offs on all runways at the same time -- because it would only provide a marginal improvement in capacity (approximately 12 percent), and would be outweighed by the noise impacts.

FIRST MAJOR POLITICAL HURDLE OVERCOME

16. (SBU) On January 28, the House of Commons defeated a motion by the Conservatives to oppose the construction of the third runway at Heathrow by a margin of 19 votes. The debate on the issue encompassed seven hours and resulted in 28 Labour MPs breaking with their own party on the vote. Shadow Minister of Transportation Theresa Villiers argued HMG's caps on increased flights until 2020 will not last. She also claimed HMG's efforts to reduce pollution by permitting only energy-efficient aircraft to use the third runway does not go far enough. Villiers and other conservative MPs pushed for high-speed rail, particularly a North-South link, as an alternative solution. Other MPs raised the Mayor of London's proposal to build an airport close to the Thames Estuary, which Secretary Hoon called a "non-starter." Hoon and UK Department of Energy and Climate Change Secretary Ed Miliband stressed throughout the debate the importance of balancing economic growth along with environmental concerns.

WHAT'S NEXT?

17. (SBU) DfT expects it will take BAA two or three years to prepare its planning application for Heathrow's expansion, which will be submitted to the UK Planning Commission. DfT is simultaneously drafting a National Policy Statement (NPS) on Airports, which will incorporate Heathrow expansion plans. The NPS will undergo parliamentary scrutiny before it is sent to the Planning Commission. It is expected to be formally published by 2011.

18. (C/NF) Some accuse the Conservatives of using Heathrow's expansion as a political tactic to burnish their environmental credentials, attack Labour's commitment to the environment, and split support within the Labour Party. DfT officials said they expect the Conservatives would not try to derail the project -- despite the current political rhetoric

-- if they win the next election. BAA will have likely already invested close to \$2 billion GBP (\$3 billion) in the process by then, they said, and the Conservatives would lose credibility if they overturned the project. Labour MP Jamie Reed expressed concerns in another meeting, however, that the Conservatives might try to slow down the UK Planning Commission implementation process as a tactic to derail the timeline. HMG also expects legal action from environmental groups and campaigners.

OPPORTUNITIES FOR US AIRLINES

¶9. (SBU) DfT noted a company called Airport Coordination Limited, which has exclusive responsibility for the allocation of landing slots, would make the determination of which airlines will obtain new landing slots. DfT will study the options given its regulatory role. British Airways gets a certain percentage of these "prime" landing slots given London is its hub. DfT officials noted, however, because of the Open Skies Agreement which allows other airlines equal access to Heathrow, Stansted, and Gatwick, U.S. and other foreign carriers will be able to obtain a fair percentage of landing slots.

COMMENT

¶10. (C/NF) Heathrow's third runway expansion will continue to be a hot political issue in the upcoming elections. PM Brown's credibility has been hurt by the rebellion of some of the Labour MPs, who are siding with the Conservatives and Liberal Democrats on the issue. Some claim Heathrow's operator, BAA, has made promises -- and broken -- them before, so trust among politicians and the public is low. However, as the UK fights to survive one of the worst recessions in 30 years, it is likely environmental concerns will take the back-seat to economic growth.

Visit London's Classified Website:
http://www.intelink.sgov.gov/wiki/Portal:United_Kingdom

LEBARON